Soc.4.01.1 Time Inc

Time's change of life

New York

According to *Time*-honoured tradition a corporation that is consistently plagued by financial difficulties is almost certain to undergo a shakeup in management sooner or later. Last week affairs at troubled Time Inc itself followed that story-line: Mr James Linen, 57, resigned as president of the publishing and broadcasting empire, a post he has held since 1960, and Mr Andrew Heiskell, 53, who has served as chairman over the same period, assumed in addition the new title of chief executive officer. Mr James Shepley, 52, publisher of *Time* magazine and long a working newsman, was named to succeed Mr Linen.

Although the company's press release stressed that Mr Linen had asked to be relieved of his duties because of illness, the announcement of his resignation was accompanied by enough other changes in the executive suite to be tantamount to a full-scale reorganisation. The naming of three new executive vice-presidents was clearly aimed at tightening Mr Shepley's day-to-day administrative control. In addition, and as if for old time's sake, Mr Henry Luce, a son of the corporation's founder, who died two years ago, was named to succeed Mr Shepley as publisher of *Time* magazine.

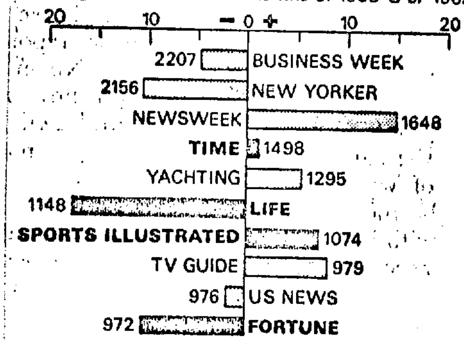
Until recently the big communications complex had managed to project an aura of near-infallibility. But this has been blurred lately as the company's unhappy executives have struggled to get its falling profits up in the air again. These endeavours are of interest to stockholders, employees and the some 30 million families who subscribe to the corporation's four magazines, buy its Time-Life books or live within range of its four radio and five television stations (in the Midwest and California). But the one group that Time executives would most like to please—the advertisers—is reserving judgment.

When earlier this year the venerable *Saturday Evening Post* succumbed before the onslaught of television, advertisers and their agents became even more hard-nosed than before about putting their messages in other general-interest magazines. At Time Inc, officials worry most about *Life* magazine, whose advertising content has already been cut by 40 per cent over the past dozen years, a shrinkage blamed almost entirely on television. Many specialists on Madison Avenue now view *Life* with open scepticism; a "sick book" is the diagnosis heard most frequently.

Last month, however, Time Inc gave notice that it was intent on breathing new life into the old *Life* and had plans to make it a "hot book" once again. When *Life* was launched in the mid-1930s, its distinguishing technique was photographic journalism, but in the 1950s pictures began to be played down in favour of lengthier articles in an effort to supplement, and thus adapt to, the offerings on the television screens. But now *Life* plans to emphasise pictures once again and also to

ADVERTISING COMPARED

% change between first 6 months of 1968 & of 1969



Figures show number of advertising pages in 1969 period

Source: Gallagher Reports

expend more money and effort on exposing scandals such as the series on the Mafia which won the magazine wide acclaim recently or the revelations which cost Mr Fortas his place on the Supreme Court.

Clearly *Life* is too valuable a property not to be protected at almost any cost. Of the some $294 million in advertising revenues received by Time Inc last year, over half, or $154 million, was produced by *Life* alone (*Time* magazine contributed $90 million). Similarly *Life* outsells all the rest of the Time Inc magazines—not to mention all others in the United States. Its circulation of 8.6 million a week compares with *Time's* 3.8 million, *Sports Illustrated's* 1.5 million and *Fortune's* 475,000.

Time, however, continues to be the company's most profitable property because of its lower costs of production and relatively higher advertising rates; but it, too, figures in the corporation's general programme of magazine resuscitation. Like *Life*, *Time* also can be expected to undergo editorial changes, though probably with a minimum of publicity because of the natural reluctance on the part of *Time's* executives to concede that they are adopting techniques from *Newsweek*, *Time's* rival of long standing.

In point of fact, however, *Newsweek* in the past few years has been making serious inroads into *Time's* readership; among other things, *Newsweek's* liberal use of signed columns and freer, swinging, more personal reports have given it greater vitality than the staid, though clever, dogmatism that has come to be *Time's* hallmark. Advertisers especially have taken note of *Newsweek's* greater verve.

The extent to which Time Inc has been under pressure to improve its profitability is readily visible in its financial reports. In 1968 its net sales and operating revenues came to $568 million with a net income of $27 million. From a high-water mark of $5.40 a share in 1966, Time Inc's earnings dropped off sharply, to $4.36 a share in 1967 and $3.76 last year; profits in the first six months of 1969 fell 25 per cent from the corresponding period of the year before (including an actual loss in this year's first quarter, usually a slow period). The shakeup's immediate effect was to give a shot in the arm to the company's flagging stock, which had dropped from 100$ early this year to 36$.

Last year Time executives evidently decided that the squeeze on profits was centred in the all-important magazine publishing operations (accounting for 60 per cent of the company's total revenues), with the result that each of the magazines pushed up its advertising rates early this year. But while revenues showed improve-

ment, the actual number of advertising pages sold did not.

Apart from magazine publishing, Time Inc's sources of revenue are: book publishing—15 per cent; pulp and paperboard production—13 per cent; radio and television broadcasting—5 per cent; and miscellaneous—7 per cent. Results from these activities in the past year or so have been mixed, with book publishing and broadcasting continuing to be consistently profitable. But production and marketing of paper products, though they improved in 1968 from the year before, are still not up to expectations.

In recent years Time Inc has been diversifying into a potpourri of other ventures to add to its potential sources of profit. These activities include a computer company that keeps track of grocery stocks at supermarkets and sells the computerised data to food manufacturers, another smaller firm that sells graphic art materials and a joint venture with the General Electric Company to set up the General Learning Corporation, a new system which aims to use computers for teaching children. Few of these ventures are as yet in the black. Still another attempt at diversification is taking Time Inc back to the journalistic womb. This past May the company acquired a chain of 22 weekly papers and a commercial printing plant in the suburbs north of Chicago, giving Time Inc the entry into the newspaper field which had been frustrated a year earlier when it failed to buy the Newark, N.J., *Evening News*.